Policies, Politics: Can Evidence Play a Role in the Fight against Poverty?

Esther Duflo

The Sixth Annual
Richard H. Sabot Lecture

April 2011

The Center for Global Development

The Richard H. Sabot Lecture Series

The Richard H. Sabot Lecture is held annually to honor the life and work of Richard "Dick" Sabot, a respected professor, celebrated development economist, successful internet entrepreneur, and close friend of the Center for Global Development who died suddenly in July 2005. As a founding member of CGD's board of directors, Dick's enthusiasm and intellect encouraged our beginnings. His work as a scholar and as a development practitioner helped to shape the Center's vision of independent research and new ideas in the service of better development policies and practices.

Dick held a PhD in economics from Oxford University; he was Professor of Economics at Williams College and taught previously at Yale University, Oxford University, and Columbia University. His contributions to the fields of economics and international development were numerous, both in academia and during ten years at the World Bank.

The Sabot Lecture Series hosts each year a scholar-practitioner who has made significant contributions to international development, combining, as did Dick, academic work with leadership in the policy community. We are grateful to the Sabot family and to CGD board member Bruns Grayson for the support to launch the Richard H. Sabot Lecture Series.

Previous Lectures

2010 Kenneth Rogoff, "Austerity and the IMF."

2009 Kemal Derviş, "Precautionary Resources and Long-Term Development Finance."

2008 Lord Nicholas Stern, "Towards a Global Deal on Climate Change."

2007 Ngozi Okonjo-Iweala, "Corruption: Myths and Reality in a Developing Country Context."

2006 Lawrence H. Summers, "Harnessing the Development Potential of Emerging Market Reserves."

Esther Duflo

Esther Duflo is a leading development economist known for her work applying impact evaluation, randomized controlled trials, and other field experiments to identify what works in development interventions.

Duflo is the Abdul Latif Jameel Professor of Poverty Alleviation and Development Economics at the Massachusetts Institute of Technology and co-founder of the Abdul Latif Jameel Poverty Action Lab (J-PAL), a research network specializing in randomized evaluations of social programs. She was named a MacArthur Foundation Fellow in 2009 and received the 2010 John Bates Clark Medal for leading economist under the age of forty.

Her Sabot lecture draws upon her new book with Abhijit Banerjee, a J-PAL co-founder, titled *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*. Duflo and Banerjee's research has led them to identify wholly new aspects of the behavior of poor people, their needs, and the way that aid or financial investment can affect their lives.

Duflo completed her undergraduate studies at L'Ecole Normale Supérieure and holds a PhD in economics from MIT. She is the founding editor of the *American Economic Journal: Applied Economics*.

Policies, Politics: Can evidence play a role in the fight against poverty?[1]

Most of my work has focused on trying to figure out what policy may work in helping to address the various problems linked to poverty. To this end, I have worked on the evaluation of the effectiveness of various policy options, particularly (but not only) on randomized evaluation. I have also spent a lot of time trying to understand how people behave, and why they behave the way they do, at the most micro level. In that, I have tried, as Richard Sabot's son just said his father told us, to learn from failures as much as from successes.

In our new book, *Poor Economics*, Abhijit Banerjee and I trying to dissect what has been learned, in decades of work on development economics, about the key problems and issues that affect the economic lives of the poor: health, education, savings, credit, labor markets, and more. Our view is that one needs to understand these issues in detail to be able to design effective policy, and that a key reason why a lot of efforts to help the poor have failed is because they have been based on a misunderstanding of the problems that they were trying to get at, and a failure to learn from experience. This may seem somewhat reminiscent of a management book from the 1950s. But what is striking is how far away the process of policymaking usually is from this ideal.

For example, countries spend considerable time and effort trying to deliver food to people even though all the evidence suggests that, except in rather extraordinary circumstances, the poor are not particularly hungry for more calories, and not particularly willing to eat much more even when calories become cheaper or when they become a bit richer. The problem seems more about finding ways to improve the nutritional quality of what they eat.

The text of this lecture is adapted from chapter 10 of *Poor Econonomics: A Radical Rethinking of the Way to Fight Global Poverty,* by Abhijit Banerjee and Esther Duflo (PublicAffairs, 2011).

Another example is education: much effort has been devoted to put kids in front of a classroom and a teacher, but less to try to understand what, and how, they should be taught. As a result, most kids are in school, but only about half can read anything. This is a huge waste of time, resources, and—most of all—talent. And yet, in principle, it can be fixed.

Many people are suspicious of these efforts. Bill Easterly once wrote of randomized control trials: "RCTs are infeasible for many of the big questions in development, like the economy-wide effects of good institutions or good macroeconomic policies." Then, he concluded that "embracing RCTs has led development researchers to lower their ambitions."[1] This statement was a good reflection of what we call the "institutionalist view," a view that is popular among many scholars and policymakers today. The real problem of development, in this view, is not one of figuring out good policies: it is to sort out the political process. If the politics are right, good policies will eventually emerge. And conversely, without good politics, it is impossible to design or implement good policies, at least not at any scale.

The current events in Tunisia, Egypt, Libya, and Syria certainly lead one to think about this: isn't it the case that the revolutions, whatever their fate, are the events that are going to have first-order effects on those countries, rather than any effort we could have been engaged in to, say, improve how the labor markets works there? Then there is Côte d'Ivoire: how much good would it do today to know the best way to convince parents to immunize their children? Isn't the problem more that we need a functioning government there?

This view of institutions can easily lead to pessimism: as our colleagues Daron Acemoglu and Jim Robinson have argued, institutions have a tendency to

---

1. William Easterly, "Development Experiments: Ethical? Feasible? Useful?" blog posted to Aid Watch July 16, 2009, http://aidwatchers.com/2009/07/development-experiments-ethical-feasible-useful/.

persist.[2] Current leaders that have inherited poor institutions will have the desire (and the ability) to keep them. We don't really know how institutions can change: episodes of wholesale institutional changes are few and far between, and we don't know how to predict them, let alone what would foster them.

I do not want to minimize the role of politics. But what I would like to argue today (based on the last chapter of our book) is that the primacy of politics over policy that is at the heart of the institutionalist view is perhaps overemphasized. What we term the political-economy view is that without good politics, there won't be good policies and, conversely, that good policies will follow from politics. I want to argue that neither is true. It might even be possible to reverse the argument: perhaps good politics will follow good policies.

I'll proceed in three steps. First, I will try to argue that perhaps institutions are not qualitatively different from any other form of policy: like everywhere else, details matter. Within a broad frame, there is considerable scope for improvement in how institutions work in practice. Second, I will argue that, even given a set of institutions, there is usually considerable scope to improve policy. Third, good politics can sometimes follow from good policy, easily setting off a virtuous circle.

INSTITUTIONS versus INSTITUTIONS

The political-economy view starts from a broad definition of institutions as rules of engagement: democracy or autocracy, property rights, and so on. And indeed, broad institutional changes are few and far between: we rarely see successful major transition to democracy; we rarely see a complete cleanup of corrupt countries. However, these broad INSTITUTIONS, in capital letters,

---

2. A great overview of their thinking is available in their forthcoming book *Why Nations Fail* (Crown publishers).

define only very broad frameworks. Within them, institutions (lowercase) are actually incarnated on the ground with many very specific rules. There is considerable scope for improvement and changes, both within generally "bad" institutions and, perhaps more importantly, within generally good ones.

Improvements within "bad" institutions

Let's first look at the changes within generally bad broad institutions. My first example is from a paper by Monica Martinez-Bravo, Gerard Padro-i-Miguel, and Nancy Qian, who study the role of democratic reform in China.[3] Although wholesale democratic reforms are few and far between, there are many instances where democracy has been introduced, to a limited extent and at the local level, within an authoritarian regime. Electoral reforms have even taken place in otherwise authoritarian states such as Indonesia under Suharto, Brazil during the military dictatorship, and Mexico under the Institutional Revolutionary Party (PRI). More recently, local elections have been introduced in Vietnam in 1998, Saudi Arabia in 2005, and Yemen in 2001. These reforms are very imperfect: the elections are often rigged, and the elected officials have very limited powers.

Yet, Qian and others show that even very imperfect local elections can make a substantial difference in how local governments are run. In the early 1980s, village-level elections were progressively introduced in rural China. Early on, the Communist Party still decided who was allowed to run. The Communist Party branch continued to operate in the village, with its appointed secretary. Ballots were not always anonymous, and the ballot boxes were reportedly often stuffed.

Despite these shortcomings, the authors found that the reforms had a surprisingly large effect, suggesting greater accountability to villagers. After

---

3. Monica Martinez-Bravo et al., "Accountability in an Authoritarian Regime: The Impact of Local Electoral Reforms in Rural China," manuscript, Yale University (2010).

a village starts holding elections, the village chiefs are more likely to relax unpopular central policies, such as the one-child policy. The reallocation of farmland, which happens from time to time in Chinese villages, is more likely to benefit "middle-class" farmers. Public expenditures are more likely to reflect villagers' needs.

Another example is corruption. Is it possible to fight corruption with "small" reforms or do you need to fix the entire system? Take Indonesia for example. It is one of the most corrupt countries in the world. In 2010, it ranked 110th out of 178 countries in Transparency International's Corruption Perceptions Index.[4] In a randomized field experiment there, Benjamin Olken of Harvard University found that theft was rife on locally managed projects: 20 percent of the materials and 27 percent of the wage bill was stolen by local contractors or the village teams.[5] This means that the road are fragile, likely to break down at the first big rains.

Can this local corruption be uprooted without affecting the deeper institutions that make Indonesia such a corrupt country? Ben Olken decided to try this out by running an experiment in about 600 villages. In some of them, the local teams were warned that their account would be audited. Importantly, it was not a shock team from the World Bank that was going to audit them, but the same government auditors, likely to be corrupt themselves. Who was going to monitors the monitors? Was this not doomed to failure? And yet, in villages were the threat of audit was present, theft declined by one third.

A third example of changes at the margin is given by the success of simple programs to address so-called ethnic voting. One reason why democracies fail in Africa, it is often argued, is that voting is often based on ethnic loyalties, which means that the candidate from the largest ethnic group often wins,

---

4. See www.transparency.org/policy_research/surveys_indices/cpi/2010/results.

5. Benjamin A. Olken, "Monitoring Corruption: Evidence from a Field Experiment in Indonesia," Journal of Political Economy 115(2):200–249.

whatever his intrinsic merit. The traditional view in political science and political economy is that this is the product of deep social forces, or a social equilibrium that is hard to change. Systemic changes would be needed to fix this. Is that really the case?

In Benin, Leonard Wantchekon of NYU ran a pair of experiments that shed very interesting light on this phenomenon.[6] I'll mention one experiment now and the other much later in the talk. The first experiment clearly establishes that ethnic voting is a problem in Benin. The experiment took place in relatively stable constituencies for some of the major candidates. In all of them, pairs of villages were randomized, and different discourses were given during the village meetings.

The clientelist message read as follows:

> We are the representatives of the candidate Saka Lafia, who is running for president in the March 3, 2001, election. As you know, Saka is the only Bariba candidate, actually the first since 1960. Saka is running because the northeast region, Borgou-Alibori, is very underdeveloped: low literacy rates, poor rural infrastructure and health care, etc. . . . If elected, he will help promote the interests of the Borgou-Alibori region by building new schools, hospitals, and roads and more importantly, hiring more Bariba people in the public administration.

And the public-policy message read:

> We are the representatives of Saka Lafia, our party the UDS stands for democracy and national solidarity. Saka is running against the opposition candidate in the North. If elected, he will engage in a nationwide reform of the education and health care systems with

---

6 Leonard Wantchelon, "Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin,"World Politics 55(3):399–422.

emphasis on building new schools, new hospitals, and vaccination campaigns. In conjunction with other opposition leaders, we will fight corruption and promote peace between all ethnic groups and all the regions of Benin.

The clientelist message carried almost 80 percent of the vote; the public-policy message, just under 60 percent.

Keep this experiment in mind, because we will return to another experiment in Benin a little bit later in the talk. But in the meantime, let's go to Uttar Pradesh to investigate whether ethnic voting is particularly entrenched.

Would people be willing to stop voting on caste issues if they were asked not to? This seems a bit preposterous, but an experiment by Abhijit Banerjee, Rohini Pande, and Don and Jennifer Green suggests that it may not be that difficult to affect ethnic voting in Uttar Pradesh, where caste-based voting is a defining feature of the political system.

The researchers worked with an NGO that went to some villages and simply asked people to vote not by caste, but on the issues. And, remarkably, people were convinced. The simple message, which had no specific information on any of the candidates, was conveyed through puppet shows, discussions, and children plays; it reduced the probability that voters would choose a candidate from their own caste from 25 percent to 18 percent.[7]

---

7. Abhijit Banerjee at al., "Can Voters Be Primed to Choose Better Legislators? Experimental Evidence from Rural India," working paper (2009), http://weber.ucsd.edu/~jlbroz/PElunch/Pahnde_05_10_pande.pdf.

Scope of improvement within "good" institutions

Finally, a huge margin for action arises from the fact that even "good" broad institutions do not function all that well in practice. There is tremendous scope for improving them. Brazil provides a dramatic example, as Thomas Fujiwara describes in a remarkable paper.[8] Brazil's democracy is particularly vibrant, with many candidates contesting elections. In the elections Fujiwara describes, this had the paradoxical result of making voting a very difficult operation. Voters, many of whom had problems with reading and writing, had to choose a candidate and write his or her name or candidate number on a ballot. As a result, many of the votes were discounted because they were invalid.

At some point, Brazil introduced electronic voting, not particularly to address this problem, but because it made it easier to count the votes. Nonetheless, it became much easier for people to choose their candidates. The system was first introduced in large constituencies and then rolled out everywhere. Thomas Fujiwara uses that roll out to investigate the effect on the elections.

The reform had a dramatic effect on the number of invalid votes, which essentially went to zero. Further, the "new" votes were mainly coming from the poor, and going to candidates representing the interest of the poor. And policies became more pro-poor in this area.

Brazil, a country which is now doing a lot for the poor, was unintentionally disenfranchising about 10 percent of its population simply through "technical" errors: this gives us the measure of how much can be improved with politics, even in "good" institutions. We have many more examples in the book, but I want to shift to the second step in my demonstration: even we take the institutions as given, there is considerable scope for improving policies.

---

8. Thomas Fujiwara, "Voting Technology, Political Responsiveness, and Infant Health: Evidence from Brazil," mimeo, University of British Columbia (2010).

There is Room for New policies within existing institutions

I will spend less time on this now, although this is of course a recurrent topic in the book. Even if we go down to the details, we find that institutions are far from fully determining the political outcomes. First, good policies sometimes happen in bad political environment: it is in Suharto's Indonesia that 62,000 primary schools were built with oil money, leading to increases in wages and reductions in fertility and infant mortality for the children who attended these new schools.[9]

More importantly, plenty of bad policies happen in good policy environments, not because of any great conspiracy to keep the poor poor, but simply because, in practice, policies don't just magically emerge out of the democratic process. Policymaking does not happen in the void. Policies are written, and implemented, by men and women who are sometimes without good intentions but usually perfectly willing to do the best they can. But like anything else, policymaking is difficult: it requires a very good understanding of a problem. We usually get it wrong. Policymakers, like anyone else, are often subject to the temptation of "lazy thinking." And unlike in business, there is no market test to know the impact of the policy in advance.

This is one important reason why government programs (and similar programs run by NGOs and international organizations) often do not work. The problem is inherently difficult and the details need a lot of attention. Failures are often not due to sabotage by a specific group, as a lot political economists would have it, but because the whole system was badly conceived to start with, and no one has taken the trouble to fix it.

---

9. Esther Duflo, "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *American Economic Review* 91(4): 795–813.

We call this the three-I problem: ideology, ignorance, inertia. Schemes conceived of in ideology (some cartoon-character view of what the poor need or want) and in ignorance of the realities in the field persist out of sheer inertia; once they exist, they are difficult to get rid of. We encounter the three-I problem routinely in our work. We were especially struck by it when we decided to start a project on village education committees in Uttar Pradesh. Every village in India now must have a village education committee: beneficiary participation is what the World Bank recommends to fix broken public services, and India has embraced it with enthusiasm.

We went to hundreds of villages in Uttar Pradesh and asked about people's views of and experiences with the village education committees. Only 8 percent of villagers knew that their village education committee existed; only 2 percent knew what they were supposed to do; and 25 percent of the committee members did not know they were members.[10] The committee was totally disengaged with the school. Efforts by Pratham, a large NGO, to reinvigorate them were completely useless. And yet, at the same time, Pratham managed to persuade scores of volunteers to teach children for free outside of school hours.

We once asked the education secretary in Lucknow about the scheme. We were told that the committee must have "the parents of the best child in the school, the worst child in the school, and the parent of the handicapped child." This was the same secretary who noted that exams had been abolished in primary school. She had no idea of how the villages or the teachers were supposed to implement this rule.

This program suffered from the classic three-I problem. Inspired by an ideology—people's power is good—and designed in ignorance of what people want and how the village works, it was, by the time we were studying it,

---

10. Abhijit Banerjee et al., "Pitfalls of Participatory Programs: Evidence from a Randomized Evaluation in Education in India," *American Economic Journal: Economic Policy* 2(1): 1–20.

entirely sustained by inertia. No one had paid any attention to it for many years, except for some bureaucrat somewhere who was making sure that all the boxes had been checked.

Improving policies could lead to improving politics

Good politics may or may not be necessary for good policies; it is certainly not sufficient. Large-scale waste and policy failure often happen not because of any deep structural problem, but because of lazy thinking at the stage of policy design. There is thus a tremendous amount of slack to improve policies—by spending more time on designing them and by constantly evaluating them. How to do that is what we devote most of the book to.

But to conclude, I would like to propose a reversal to the primacy of politics over policy. I often have the feeling that, if politics is so depressing in developing countries, it is because voters feel that they have to choose between bad and worst: this may explain why, by default, they vote for someone from their caste. No one is in a position to credibly offer them an alternative.

In Leonard Wantchekon's Benin experiment, for example, perhaps voters simply did not believe the rather bland "public interest" message. Perhaps they would have if the message had been backed by some real proposals and did not ring a little bit empty.

In fact, we don't need to say "perhaps" because Wantchekon ran a second experiment, during the next presidential election, that demonstrates exactly that.[11]

---

11. Leonard Wantchekon, "Can Informed Public Deliberation Overcome Clientelism? Experimental Evidence from Benin," manuscript, New York University (2009).

With his think tank and friends in Benin, he organized a large policy conference—one of those "expert" conferences that would probably make Bill Easterly recoil (it even had international experts, although they were mainly from neighboring countries). The conference was called "Election 2006: What Policy Alternative?" There were four panels on education, public health, governance, and urban planning. Four experts (two from Benin and two from neighboring Niger and Nigeria) provided a white paper with policy recommendations.

After the conference, parties volunteered to use the recommendations as a policy platform as part of an experiment. Again focusing on relatively safe seats, the parties grouped villages in pairs. In some villages, they conducted the usual festive meetings, complete with balloons, T-shirts, and clientelist appeal. In others, they ran "town hall meetings" in which the proposals were discussed in a serious manner.

And this time, the results were reversed: it is the reasoned policy platform that got more votes, not the clientelist appeal. Good policies can improve politics because voters, even the poorest, have the desire and the ability to engage with policies.

Conclusion

The message in conclusion is one of hope, but also of responsibility. The problems that face the poor are incredibly difficult to fully grasp and understand. Mostly, we get it wrong, and as a result the solutions we come up with are disappointing, and progress is slow.

But we cannot hide behind fatalism as an excuse to do nothing: neither bad politics nor bad policies are fatalities of poor countries. Real politics can be improved, step by step. Policies can be improved even within given institutional environments. And improving policies may well be the first step to improving politics.

They both can be improved, here and now, perhaps not everywhere in a revolutionary ardor like the one we are seeing in the Middle East, but step by step, in a quiet revolution. Where the responsibility lies is with everyone. Everyone has a role to play in this process. It is not someone else's job to figure it out, or let it happen. It is our collective duty, here in the West as well as in developing countries.

The Center for Global Development

The Center for Global Development works to reduce global poverty and inequality through rigorous research and active engagement with the policy community to make the world a more prosperous, just, and safe place for us all. The policies and practices of the rich and the powerful—in rich nations, as well as in the emerging powers, international institutions, and global corporations—have significant impacts on the world's poor people. We aim to improve these policies and practices through research and policy engagement to expand opportunities, reduce inequalities, and improve lives everywhere. By pairing research with action, CGD goes beyond contributing to knowledge about development. We conceive of and advocate for practical policy innovations in areas such as trade, aid, health, education, climate change, labor mobility, private investment, access to finance, and global governance to foster shared prosperity in an increasingly interdependent world.